

Testimony of Representative David Guttenberg
Alaska Legislature
Before the
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Committee on Transportation and Infrastructure
United States House of Representatives
Hearing on
The Safety of Hazardous Liquid Pipelines (Part 2): Integrity Management
Washington, DC
July 15, 2010

Chairwoman Brown, Ranking Member Shuster, Members of the Subcommittee, thank you for the opportunity to speak with you today. I am State Representative David Guttenberg and I represent House District 8 in the Alaska Legislature. House District 8 is comprised of the west side of Fairbanks, sometimes called the university district, but my district also extends 150 miles south down the Parks Highway to the community of Cantwell. Included in the district is the entire Denali National Park and North America's tallest peak, Mt. McKinley.

I have spent 30 years of my life working in and around the oil industry. As a young man in 1974 I joined the Laborers Union and went to work "pipelining." My first job with Alyeska was clearing the right of way where the pipeline was going to be built. Prior to that, I had a job working on a seismic crew out of Umiat for minimum wage, 14-hour days at 40 below temperatures. For the next 25 years I worked for contractors working for Alyeska, BP, and ARCO building pipelines, pump stations and any other facility that was needed. In 1981 I worked off shore in Prudhoe Bay building an island for exploration and development. My last job with Alyeska was in 1996 when we took Pump Station 6 offline.

I am here today speaking on behalf of the Alyeska employees who have a deep concern for the safety and integrity of the pipeline, but whose concerns have been largely ignored.

My involvement in this issue began in December 2009 when I received word that Alyeska was planning to transfer a group of employees from Fairbanks to Anchorage. I was told that the engineers, technicians and scientists proposed for transfer are critical to monitoring and maintaining the integrity, public safety and environmental compliance of the Trans-Alaska Pipeline System (TAPS).

The proposed transfer raised alarm bells with me for two reasons: First, those were good jobs moving out of my community. Second, what standard did Alyeska use to determine that moving personnel responsible for the pipeline safety and integrity 350 miles away from the pipeline would be prudent and responsible? My initial thought was that it makes sense for these positions to be located in Fairbanks because it is a transportation-hub centrally located on the pipeline right-of-way. When something goes wrong or needs to be checked out on the pipeline, these employees can get to the problem location quickly. Anchorage is nowhere near the pipeline. In just about every scenario, it is quicker for these employees to reach the pipeline from Fairbanks.

When I began speaking out publicly, several Alyeska employees contacted me and confirmed my concerns. It was explained to me that many in the company shared my sentiment, but attempts to express those concerns were squashed at the highest levels by senior managers who feared retaliation for going against the mandate of Alyeska's president. At that point it became clear to me that Alyeska's "open-working-environment" was not working at all, allowing poor decisions to go unchecked that could have severe consequences for the state of Alaska.

Publicly, Alyeska touted the move as a cost-saving measure that would increase work efficiencies and synergies. However, this contradicts an exhaustive internal review of the transfer, which clearly demonstrates from both quantitative and qualitative evaluations that an Anchorage location would significantly decrease work efficiencies and increase travel costs for Integrity Management personnel - to the tune of about \$250,000 per year. The increased travel costs are significant because the savings claimed by Alyeska is a single *one-time* amount of \$4 million in today's dollars. Furthermore, a significant portion of these savings could have been achieved without the transfer as Alyeska's Fairbanks office space was being underutilized (less than 50% occupancy level) and could have easily been consolidated while leaving room for pre-transfer personnel. Essentially, Alyeska incorrectly associated the employee transfer with these savings.

Alyeska's internal review also accurately predicted the loss of almost 50 percent of the company's integrity management group if the company moved forward with the transfer. This will have a long-term negative impact on the Alyeska Integrity Management Program, including deteriorating morale of remaining personnel, a significant loss of expertise and institutional knowledge, and a return to Alyeska's previous history of compliance problems with integrity management regulations.

In 1997, under the direction of then-Alyeska President Bob Malone, Alyeska transferred employees from Anchorage to Fairbanks to increase pipeline safety and enhance environmental reliability. This was the right move to make and it is difficult to understand how Alyeska's vague claims of synergy and efficiency justify reversing Malone's decision. Common sense and Alyeska's own internal documents suggest Alyeska is making the wrong call on this one.

Now I would like to say a few words about safety. Alyeska frequently mentions its recent "safety" (or environmental) record when trying to deflect recent criticisms related to the management of its Integrity Management program, for example, low worker accident rate, API Distinguished Operator Award, etc. Alyeska's definition of "safety" refers to the prevention of bodily harm or fatalities to employees or contractors performing work activities for TAPS. This "safety" attribute has little or no bearing on the likelihood of TAPS to have a significant spill event, which is the issue of concern that brings us to this hearing today. For example, a pipeline operator could have an excellent worker safety record because there is little or no maintenance work being performed on the pipeline while at the same time it is about to fall apart in 20 locations. The same logic can be applied to Alyeska's environmental record, which can have little or no bearing on the likelihood of the pipeline to have a significant spill event.

Finally, I would like to address Alyeska's recent public commentary about emergency spill response capability in the first 12 to 24 hours where spill containment and mitigation of direct

impacts to the environment are most important. Alyeska no doubt continues to have adequate employee and contractor support to address this issue, but that is not the primary concern related to the transfer of Integrity Management personnel to Anchorage. The real concern is a significant reduction in the ability of IM personnel to quickly respond to and assess emergency situations along the TAPS right-of-way, not in a spill containment or “first responder” capacity, but in a capacity to assess emergency situations and determine safe and feasible options for maintaining pipeline operations or re-starting the pipeline after an incident. An example of this is the 2002 Denali Fault 7.9-magnitude earthquake (located 2 hours from Fairbanks) when Alyeska’s Integrity Management engineers were able to quickly drive to and inspect the pipeline for damage and determine if the pipeline could be safely restarted.

The Trans-Alaska Pipeline System carries the overwhelming majority of Alaska’s state revenue and is an integral part of the U.S. energy infrastructure. Even with declining throughput, the line is no less important now than it was 30 years ago. However, the TAPS infrastructure is rapidly aging and problems are bound to occur. Now is not the time for Alyeska to skimp on pipeline safety and integrity lest we have a significant spill event comparable to the Exxon Valdez spill or the recent Deep Water Horizon rupture.